

**THE ARC – IBERVILLE AND WEST  
BATON ROUGE, INC.  
PLAQUEMINE, LOUISIANA  
ANNUAL FINANCIAL REPORT**

**JUNE 30, 2014**

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.**  
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**JUNE 30, 2014**

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# **BAXLEY AND ASSOCIATES, LLC**

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**Staci H. Joffrion, CPA/CGMA**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The Arc – Iberville and West Baton Rouge, Inc.

We have audited the accompanying financial statements The Arc – Iberville and West Baton Rouge, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## INDEPENDENT AUDITOR'S REPORT, Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc – Iberville and West Baton Rouge, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any other assurance on it.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of The Arc – Iberville and West Baton Rouge Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc – Iberville and West Baton Rouge, Inc.'s internal control over financial reporting and compliance.

*Baxley & Associates, LLC*

Plaquemine, Louisiana  
December 10, 2014

## **FINANCIAL STATEMENTS**

**THE ARC - IBERVILLE AND WEST BATON ROUGE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 252,933
Investments	124,540
Due from other agencies	105,760
Prepaid insurance	15,649
Prepaid expense	4,569
Other assets	<u>606</u>
Total Current Assets	<u>504,057</u>
Property and Equipment	
Vehicles	124,289
Workshop tools	-
Furniture and fixtures	34,755
Buildings	<u>10,609</u>
	169,653
Less accumulated depreciation	<u>(75,950)</u>
Total Property and Equipment	<u>93,703</u>
Other Assets	
Utility deposit	<u>2,300</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 600,060</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable	\$ 4,839
Payroll taxes withheld and accrued	11,595
Line of Credit - Plaquemine Bank and Trust Co.	<u>50,000</u>
Total Current Liabilities	66,434
Total Liabilities	<u>66,434</u>
Net Assets:	
Unrestricted	<u>533,626</u>
Total Net Assets	<u>533,626</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 600,060</u></b>

The accompanying notes are an integral part of this statement.

**THE ARC - IBERVILLE AND WEST BATON ROUGE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Total</u>	<u>Administration</u>	<u>Vocational</u>	<u>Supervised Living/ PCA &amp; Respite</u>
<b>REVENUES AND OTHER SUPPORT, UNRESTRICTED</b>				
<b>Public Support:</b>				
Iberville Parish Council	\$ 30,000	\$ -	\$ 30,000	\$ -
Office of Community Services, Div. of Rehabilitation Services	25,904	-	25,904	-
Capital Area United Way Allocation	29,000	2,417	19,833	6,750
Structured Work Program	9,854	-	9,854	-
Contributions	39,212	37,347	1,865	-
Medicaid	1,125,032	-	443,420	681,612
<b>Other Revenues:</b>				
Interest	1,940	1,940	-	-
Vending Machines	800	-	800	-
In-Kind	31,350	31,350	-	-
Membership Dues	2,915	1,420	355	1,140
Gain on sale of asset	1,700	1,700	-	-
Miscellaneous	2,410	2,410	-	-
<b>TOTAL REVENUES AND OTHER SUPPORT, UNRESTRICTED</b>	<u>1,300,117</u>	<u>78,584</u>	<u>532,031</u>	<u>689,502</u>

**EXPENSES**

Salaries	922,909	127,143	234,624	561,142
Payroll Taxes	68,425	6,615	17,396	44,414
Repairs and Maintenance	11,546	3,190	5,844	2,512
Professional fees	6,990	6,990	-	-
Gifts/Donations	359	359	-	-
Supplies	23,330	10,206	10,805	2,319
Telephone	12,783	4,183	6,375	2,225
Postage	1,321	1,088	190	43
Advertising	3,457	1,967	756	734
(Continued)				

The accompanying notes are an integral part of this statement.

**THE ARC - IBERVILLE AND WEST BATON ROUGE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Total</u>	<u>Administration</u>	<u>Vocational</u>	<u>Supervised Living/ PCA &amp; Respite</u>
<b>EXPENSES</b>				
Travel	23,364	3,638	19,215	511
Dues	1,166	1,166	-	-
Miscellaneous	3,828	1,854	978	996
Depreciation	19,474	19,474	-	-
Utilities	19,426	5,890	11,849	1,687
Convention Meetings	923	509	174	240
Licenses	1,698	1,648	50	-
Insurance	185,263	25,374	75,960	83,929
Security	1,634	834	706	94
Training and Workshops	17,002	4,879	766	11,357
Human Resources Contract	28,552	18,052	-	10,500
Client Assistance	30	-	-	30
In-Kind	31,350	31,350	-	-
Rent	11,400	-	11,400	-
<b>TOTAL EXPENSES</b>	<u><b>1,396,220</b></u>	<u><b>276,409</b></u>	<u><b>397,088</b></u>	<u><b>722,723</b></u>
 <b>CHANGE IN NET ASSETS</b>	 <b>(96,103)</b>	 <b>(197,825)</b>	 <b>134,943</b>	 <b>(33,221)</b>
 <b>NET ASSETS, BEGINNING</b>	 <u><b>629,729</b></u>	 <u><b>(3,380,587)</b></u>	 <u><b>(26,783)</b></u>	 <u><b>4,037,099</b></u>
 <b>NET ASSETS, ENDING</b>	 <u><u><b>\$ 533,626</b></u></u>	 <u><u><b>\$ (3,578,412)</b></u></u>	 <u><u><b>\$ 108,160</b></u></u>	 <u><u><b>\$ 4,003,878</b></u></u>

(Concluded)

The accompanying notes are an integral part of this statement.



**THE ARC - IBERVILLE AND WEST BATON ROUGE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase (Decrease) in net assets	\$ (96,103)
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	19,474
(Increase) in accounts receivable	(23,373)
Decrease in prepaid insurance	4,589
Decrease in prepaid expense	13,072
Decrease in Utility deposit	25
(Decrease) in accounts payable	(16,486)
(Decrease) in salaries payable	(25,134)
(Decrease) in payroll taxes withheld and accrued	(951)
	<u>                    </u>

**NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES**

(124,887)

**CASH FLOW FROM CAPITAL & RELATED  
FINANCING ACTIVITIES**

Purchase of capital assets	<u>(96,906)</u>
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**NET CASH (USED) BY CAPITAL &  
RELATED FINANCING ACTIVITIES**

(96,906)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment income	<u>(1,051)</u>
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**NET CASH USED IN INVESTING ACTIVITIES**

(1,051)

**NET INCREASE (DECREASE) IN  
CASH AND CASH EQUIVALENTS**

(222,844)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

475,777

**CASH AND CASH EQUIVALENTS AT END OF YEAR**

\$ 252,933

**Supplemental Data**

Interest paid	<u>\$ -</u>
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The accompanying notes are an integral part of this statement.

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The Arc – Iberville and West Baton Rouge, Inc. (the Arc) is a Louisiana nonprofit organization that was formed to provide service needs persons with intellectual and developmental disabilities and handicapped persons of Iberville Parish and West Baton Rouge Parish.

**Nature of Services**

The Arc offers the following service programs:

- Adult Day Care is a day program for citizens of Iberville Parish and West Baton Rouge Parish who are developmentally disabled. The service provides opportunities for people (age 22 and over) with intellectual and developmental disabilities to become more independent, integral, and productive members of society. Services include work adjustment training, community life enrichment, and paid work experience.
- Vocational program services are provided by the Arc to develop and create employment opportunities for individuals (age 16 or older) with disabilities through partnership with Louisiana Rehabilitation Services. Provides vocational assessments, job readiness skills, job placement, and training service and follow-up services.
- Supervised Living/Personal Care Assistance (PCA) and Respite services provide relief for the primary care providers of children and adults with developmental disabilities, from the everyday care, whether it's physical assistance, or accompanying on outings. The support may occur in the individual's home, in the community, or in the Respite Center. It may occur regularly or the family may only request assistance in an emergency situation. The primary objective of Respite is to help prevent or delay institutionalization of individuals with developmental disabilities.

**Reporting Entity**

The Arc is not a component unit of another primary government nor does it have any component units which are related to it. Therefore, the Arc has presented its financial statements as a separate special-purpose entity.

**Basis of Accounting**

The financial statements are prepared on the accrual basis wherein revenues are recognized when earned and expenses are recognized when incurred.

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Arc considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments in marketable securities with readily determinable fair values are stated at their fair value in the statement of financial position. Unrealized gains/losses are included in changes in net assets.

**Accounts Receivable and Bad Debt**

Management analyzes accounts receivable to determine those that are uncollectible. At June 30, 2014, management considers all accounts receivable collectible.

**Property and Equipment and Depreciation**

Property and equipment is stated at cost, unless donated. Donated property and equipment is stated at fair market value as of the date of the gift. The Arc's policy has set the capitalization threshold for reporting property and equipment at \$1,000. Depreciation is charged to operations using the straight-line method over the estimated useful lives as follows:

Buildings	30-40 years
Vehicles	5 years
Furniture and fixtures	5-10 years
Workshop tools	5-10 years

**Revenues**

The majority of the Arc's revenue is derived from third-party reimbursement arrangements. The revenues and the allowability of related expenditures are subject to audits by the granting agencies.

**Expenses**

Expenses are charged directly to programs in categories based on specific identification. Indirect expenses have been allocated based on total expenses for each program.

**Income Taxes**

The Arc is a nonprofit organization that is exempt from incomes taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. Therefore, the Arc has not recorded a provision for income taxes in the accompanying financial statements and the Arc does not have any uncertain tax positions. The Arc files a federal tax return with the Internal Revenue Service.

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation**

The Arc has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Arc is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Arc is required to present a statement of cash flows. As permitted by the Statement, the Arc has discontinued its use of fund accounting.

**Contributions**

The Arc has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B – DUE FROM OTHER AGENCIES**

Due from other agencies at June 30, 2014 consisted of the following:

Medicaid	\$ 96,434
Iberville Parish Council	5,000
Other Receivables	<u>4,326</u>
<b>TOTAL DUE FROM OTHER AGENCIES</b>	<b><u>\$ 105,760</u></b>

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment is scheduled as follows:

	<b>BALANCE 6/30/2013</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>	<b>BALANCE 6/30/2014</b>
Vehicles	\$ 102,398	\$ 95,871	\$ (73,980)	\$ 124,289
Workshop tools	9,119	-	(9,119)	-
Furniture and fixtures	71,930	1,035	(38,210)	34,755
Buildings	10,609	-	-	10,609
	194,056	96,906	(121,309)	169,653
Accumulated depreciation	(177,785)	\$ (19,474)	\$ 121,309	(75,950)
<b>Total Property and Equipment</b>	<b>\$ 16,271</b>			<b>\$ 93,703</b>

Depreciation expense was \$19,474 for the year ended June 30, 2014.

**NOTE D – FAIR VALUES OF FINANCIAL INSTRUMENTS**

In accordance with the Fair Value Measurements and Disclosure topic of FASB ASC, disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Arc.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D – FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

In accordance with this guidance, the Arc groups its financial assets and financial liabilities generally measured at fair value at three levels, based on the markets in which the asset and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 – Valuations is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities included financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Arc in estimating its fair value disclosures for financial instruments:

*Securities*

Securities are classified within Level 1 where quoted market prices are available in an active market. Inputs include securities that have quoted prices in active markets for identical assets. If quoted market prices are unavailable, fair value is estimated using pricing models or quoted prices of securities with similar characteristics, at which point the securities would be classified within the Level 2 of the hierarchy.

The following table presents each fair value hierarchy level of the Arc's financial assets and liabilities that are measured at fair value on a recurring basis.

	Level 1	
	Cost	Fair Value
<b>June 30, 2014</b>		
Investments - Certificate of Deposit	<u>\$ 124,540</u>	<u>\$ 124,540</u>

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E – OPERATING LEASES**

The Arc leases the facility that is used for Unique Treasures thrift store. Rental expenses under the lease for the year ended June 30, 2014 were \$11,400. Future minimum lease commitments as of June 30, 2014 are payable as follows:

<u>Years</u>	<u>Amount</u>
2015	<u>11,400</u>
Total	<u>\$ 11,400</u>

**NOTE F – LINE OF CREDIT**

In October 2011, the Arc obtained a \$50,000 unsecured line of credit from Plaquemine Bank and Trust Company as required by the Louisiana Department of Health and Hospitals. Interest is payable monthly on any outstanding balances at an interest rate of 2.5% with a maturity date of October 20, 2014. There were no funds drawn on the line of credit as of June 30, 2014.

**NOTE G – FIDUCIARY FUNDS**

The Arc acts as a fiduciary agent for one of its clients. A savings account for a Special Needs Trust is maintained. Deposits include the client's social security benefits, their payroll checks, if employed, and amounts from a lawsuit. Disbursements consist of day-to-day living expenses and are based on the individual's client's needs. The balance in this savings account at June 30, 2014 was \$96,042. These funds are not included in the statement of financial position of the Arc.

**NOTE H – CONCENTRATION OF CREDIT RISK**

The Arc sometimes maintains cash and time deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) coverage at its bank. FDIC coverage is \$250,000 per depositor per bank. At June 30, 2014, the Arc's uninsured balance totaled \$198,729.

The Arc also received a considerable amount of its total support and revenues from Medicaid for services provided to clients. During the year ended June 30, 2014, the Arc received \$1,125,031 from Medicaid, which was 86.6% of total revenues.

**NOTE I – ACCOUNTING FOR UNCERTAIN TAX POSITIONS**

On January 1, 2009, the Arc adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. The implementation of this Topic had no impact on the statement of financial position or statement of activities.

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE I – ACCOUNTING FOR UNCERTAIN TAX POSITIONS (CONTINUED)**

All tax returns have been appropriately filed by the Arc. The Arc recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Arc's tax filings are subject to audit by various taxing authorities. The Arc's open audit periods are 2012 through 2014. Management evaluated the Arc's tax position and concluded that the Arc has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**NOTE J – UNCERTAINTY ON OTHER MATTERS**

In 2013, The Arc filed a Deepwater Horizon Economic Damages claim against British Petroleum for reimbursement of losses incurred due to the oil spill in the Gulf of Mexico in April 2010. The claim was submitted in June 2013. No funds have been received from the claim as of December 10, 2014, the date that the financial statements were available to be issued. Due to the uncertainty of the receipt and amount of these funds, no adjustment has been recorded in the financial statements to reflect the claim.

**NOTE K – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 10, 2014, the date that the financial statements were available to be issued.

On October 10, 2014, The Arc – Iberville and West Baton Rouge, Inc. entered into a lease agreement with Wilbert Rental, LLC to lease a building in Plaquemine, Louisiana. Anna Breaux, a board member of the Arc, is the managing member of Wilbert Rental, LLC.



## **SUPPLEMENTARY INFORMATION**

**SCHEDULE 1**

**THE ARC - IBERVILLE AND WEST BATON ROUGE, INC.  
INSURANCE IN FORCE  
JUNE 30, 2014  
(Unaudited)**

<b>Insurer</b>	<b>Type of Coverage</b>	<b>Amount</b>	<b>Inception Date</b>	<b>Term in Months</b>
Granite State Insurance Co.	Umbrella Comprehensive General Liability, Professional Liability, and Comprehensive Auto and Liability	BI & PD Combined \$1,000,000 per occurrence	July 1, 2013	12
Louisiana Workers Compensation Corporation	Workers' Compensation	Statutory	July 1, 2013	12
Chartis Specialty Insurance Company	NARC Director/Officers' Liability	\$1,000,000	July 1, 2013	12

SCHEDULE 2

**THE ARC - IBERVILLE AND WEST BATON ROUGE, INC.  
SCHEDULE OF COMPENSATION FOR BOARD MEMBERS  
FOR THE YEAR ENDED JUNE 30, 2014**

Board Members	2014
Mickey Rivet, President	\$ -
Barbara Coreil, Secretary	-
Yolanda Laws, Treasurer	-
Bevely Engolio	-
Joycelyn Lamothe	-
Claudia Oubre	-
Anne Reeves	-
Valerie Simpson	-
Anna Breaux	-
Marie Eby	-
David Gassie	-
Total	\$ -

## OTHER REPORTS

# **BAXLEY AND ASSOCIATES, LLC**

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Staci H. Joffrion, CPA/CGMA

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
The Arc – Iberville and West Baton Rouge, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc – Iberville and West Baton Rouge, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Arc – Iberville and West Baton Rouge, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc – Iberville and West Baton Rouge, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Arc's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies [2014-1].

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS (continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Arc – Iberville and West Baton Rouge, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Baxley & Associates, LLC*

Plaquemine, Louisiana  
December 10, 2014

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**A. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- |  |            |           |
|--|------------|-----------|
| ▪ Material weaknesses identified?  | _____yes   | ___X___no |
| ▪ Significant deficiencies identified that are not considered to be material weaknesses? | ___X___yes | _____no   |
| ▪ Noncompliance material to financial statements noted?                                  | _____yes   | ___X___no |

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2014-1: INTERNAL CONTROL OVER CASH DISBURSEMENTS**

**Condition:**

There is lack of internal control in the processing of cash disbursements of The Arc – Iberville and West Baton Rouge, Inc.

**Criteria:**

An important element of an internal accounting control system is the oversight and review of areas in the accounting system, including cash disbursements. Only the executive director and bookkeeper maintain controls in the process of cash disbursements.

**Effect:**

Failure to develop proper internal controls over the processing of cash disbursements could potentially lead to fraud and create an unsound control environment for the Arc.

**Recommendation:**

In order to tighten internal controls in this area, board members should be more actively involved in process of cash disbursements of the Arc, such as awareness of the monthly bills, approval of outstanding invoices, and physically examine additions to capital assets.

**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2014**

**Management's Response:**

The Arc – Iberville and West Baton Rouge, Inc.'s Executive Director and Business Manager agree that it is the responsibility of the Board of Directors to ensure that adequate funding is available for the operations of the Arc. Some expectations of the Board are listed as follows:

1. Become more organized in a business approach.
2. Request and complete training (the board as a whole) with The Arc of Louisiana
3. Implement new training in the form of strengthening committees that are in place (Finance Committee, Development Committee, Fund Committee, and Policy Committee).
  - a. The finance committee should be more aware of the required monthly expenses, such as payroll, payroll taxes, workers' compensation, health insurances, insurances, and typical repairs.
  - b. The fund committee should have more involvement in fund raisers and ensuring that the Arc has the funds needed to operate.

More active involvement of board members on their given committees and implementation of board training should resolve the concern of the auditor.



**THE ARC – IBERVILLE AND WEST BATON ROUGE, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2014**

There were no findings for the year ended June 30, 2013.